

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

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## Eddyville-Blakesburg-Fremont Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Deb Bahr	President	2015
Kevin Lane	Vice-President	2015
Mike Mayberry	Board Member	2013
David Friedman	Board Member	2013
Gay Murphy	Board Member	2015
Dan Hubert	Board Member	2013
Jeff Claypool	Board Member	2013
<b>School Officials</b>		
Dr. Dean Cook	Superintendent	2013
Susan Bayer	District Secretary/Treasurer	2013
Gruhn Law Firm	Attorney	2013

*Eddyville-Blakesburg-Fremont  
Community School District*

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Eddyville-Blakesburg-Fremont Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg-Fremont Community School District, Eddyville, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg-Fremont Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eddyville-Blakesburg-Fremont Community School District's basic financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of Eddyville-Blakesburg-Fremont Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Eddyville-Blakesburg-Fremont Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Eddyville-Blakesburg-Fremont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because Eddyville-Blakesburg Community School District and Fremont Community School District were consolidated into Eddyville-Blakesburg-Fremont Community School District, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues were \$9,085,747 during fiscal year 2013, while General Fund expenditures were \$9,186,041. This resulted in a decrease in the District's General Fund balance from \$2,956,645 restated at July 1, 2012 to a balance of \$2,856,351 at June 30, 2013, a 3.39% decrease.
- The District's solvency ratio was 31.26% at June 30, 2013.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Eddyville-Blakesburg-Fremont Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Eddyville-Blakesburg-Fremont Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Eddyville-Blakesburg-Fremont Community School District acts solely as an agent or custodial for the benefit of those outside of the District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

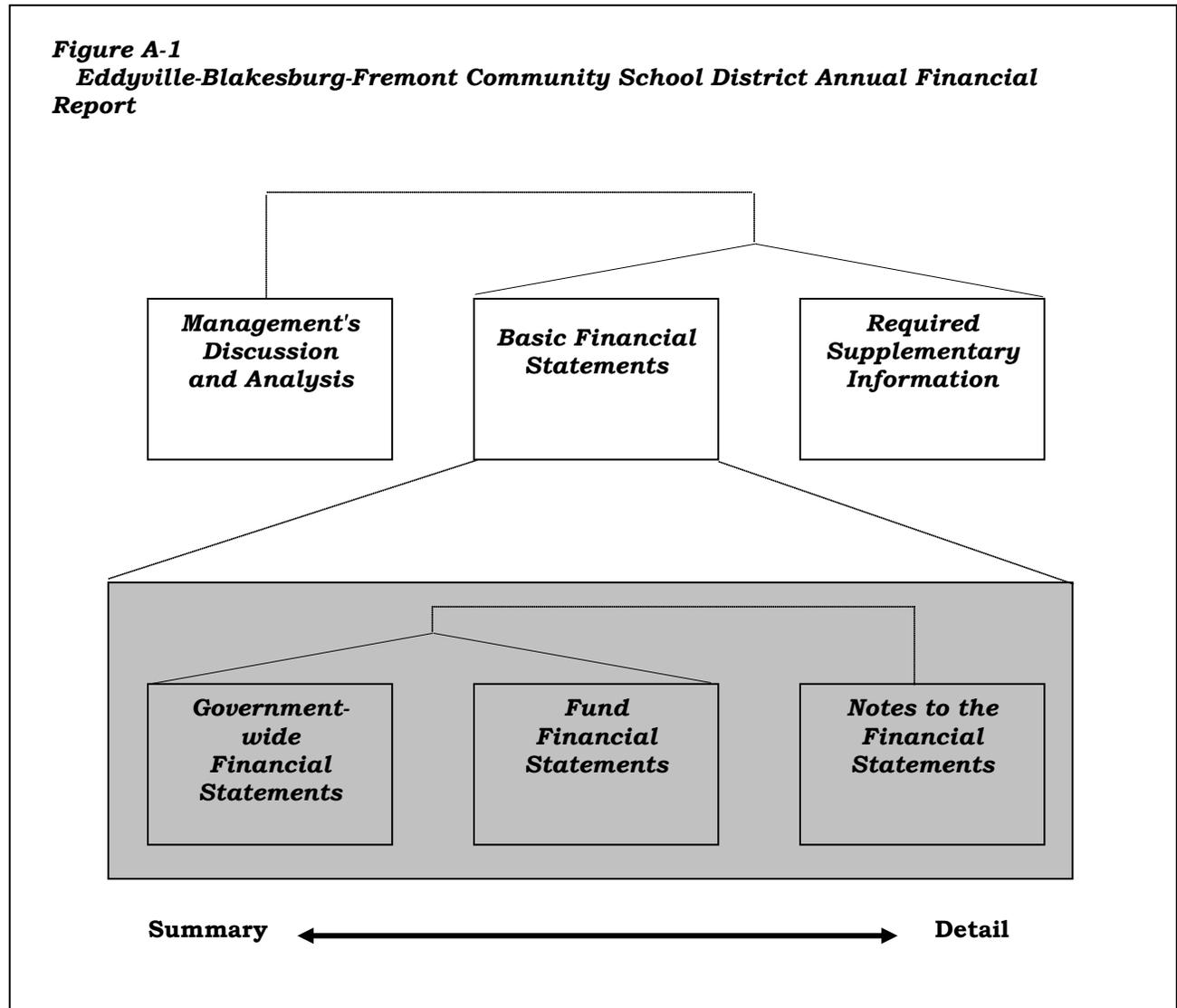


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Child Care Fund and the Building and Trades Fund. The District also has an Internal Service Fund.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2013.

	Figure A-3 Condensed Statement of Net Position		
	Governmental Activities June 30, 2013	Business Type Activities June 30, 2013	Total District June 30, 2013
Current and other assets	\$ 9,283,758	116,264	9,400,022
Capital assets	6,620,182	210,436	6,830,618
Total assets	<u>15,903,940</u>	<u>326,700</u>	<u>16,230,640</u>
Long-term obligations	1,546,243	13,925	1,560,168
Other liabilities	5,543,223	74,389	5,617,612
Total liabilities	<u>7,089,466</u>	<u>88,314</u>	<u>7,177,780</u>
Net position:			
Invested in capital assets, net of related debt	5,774,341	210,436	5,984,777
Restricted	298,915	-	298,915
Unrestricted	2,741,218	27,950	2,769,168
Total net position	<u>\$ 8,814,474</u>	<u>238,386</u>	<u>9,052,860</u>

The District's total net position at June 30, 2013 was \$9,052,860. The largest portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position was \$298,915 at June 30, 2013.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - was \$2,769,168 at June 30, 2013.

Figure A-4 shows the changes in net position for the year ended June 30, 2013.

	Figure A-4		
	Changes in Net Position		
	Governmental Activities	Business Type Activities	Total District
	2013	2013	2013
Revenues and Transfers:			
Program revenues:			
Charges for service	\$ 1,067,834	424,445	1,492,279
Operating grants, contributions and restricted interest	735,705	270,894	1,006,599
General revenues:			
Property tax	4,349,571	-	4,349,571
Income surtax	149,347	-	149,347
Statewide sales, service and use tax	858,981	-	858,981
Unrestricted state grants	3,706,427	-	3,706,427
Unrestricted investment earnings	13,827	32	13,859
Other general revenue	62,781	4,755	67,536
Transfers	(8,067)	8,067	-
Total revenues and transfers	<u>10,936,406</u>	<u>708,193</u>	<u>11,644,599</u>
Program expenses:			
Governmental activities:			
Instructional	7,526,309	87,146	7,613,455
Support services	3,471,649	5,613	3,477,262
Non-instructional programs	-	692,725	692,725
Other expenses	605,537	-	605,537
Total expenses	<u>11,603,495</u>	<u>785,484</u>	<u>12,388,979</u>
Change in net position	(667,089)	(77,291)	(744,380)
Net position beginning of year, as restated	<u>9,481,563</u>	<u>315,677</u>	<u>9,797,240</u>
Net position end of year	<u>\$ 8,814,474</u>	<u>238,386</u>	<u>9,052,860</u>

In fiscal year 2013, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 81.52% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 98.18% of the revenue from business type activities. The District's total revenues were approximately \$11.64 million, of which approximately \$10.94 million was for governmental activities and \$0.7 million was for business type activities.

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## Governmental Activities

Revenues for governmental activities were \$10,936,406 and expenses were \$11,603,495 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2013.

Figure A-5			
Total and Net Cost of Governmental Activities			
	Total Cost of Services		Net Cost of Services
	2013		2013
Instruction	\$	7,526,309	6,058,120
Support services		3,471,649	3,465,735
Other expenses		605,537	276,101
Totals	\$	11,603,495	9,799,956

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,067,834.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$735,705.
- The net cost of governmental activities was financed with \$4,498,918 in local tax, \$858,981 in statewide sales, services and use tax, \$3,706,427 in unrestricted state grants, \$13,827 in interest income and \$62,781 in other general revenue.

## Business type Activities

Revenues of the District's business type activities were \$708,193 and expenses were \$785,484. The District's business type activities include the School Nutrition Fund, Child Care Fund and Building and Trades Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, other general revenues and capital contributions.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Eddyville-Blakesburg-Fremont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,531,072.

## Governmental Fund Highlights

The District's General Fund balance decreased from \$2,956,645 at July 1, 2012 to \$2,856,351 at June 30, 2013.

The Management Levy Fund increased from \$382,659 at July 1, 2012 to \$559,196 at June 30, 2013.

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The Capital Projects Fund balance decreased from a deficit \$9,489 at July 1, 2012 to a deficit balance of \$48,258 at June 30, 2013. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance decreased from \$71,018 at July 1, 2012 to \$15,952 at June 30, 2013. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from a deficit \$80,507 at July 1, 2012 to a deficit \$64,210 at June 30, 2013.

### **Proprietary Fund Highlights**

School Nutrition Fund net position increased from \$54,575 at July 1, 2012 to \$68,118 at June 30, 2013, an increase of \$13,543 or 24.82%.

The Child Care Fund net position decreased from \$173,956 at July 1, 2012 to \$170,268 at June 30, 2013, representing a decrease of \$3,688 or 2.12%.

The Buildings and Trades Fund net position decreased from \$87,146 at July 1, 2012 to \$0 at June 30, 2013.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Eddyville-Blakesburg-Fremont Community School District amended its budget one time to reflect additional expenditures expected at year end.

The District's revenues were \$1,051,917 less than budgeted revenues, a variance of 8.17%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2013, the District had invested \$6,830,618, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) Additional detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$430,598.

The original cost of the District's capital assets was \$15,031,483. Governmental funds account for \$14,540,830 with the remainder of \$490,653 in the Proprietary, School Nutrition Fund and Child Care Fund.

Figure A-6			
Capital Assets, Net of Depreciation			
	Governmental	Business Type	Total
	Activities	Activities	District
	June 30,	June 30,	June 30,
	2013	2013	2013
Land	\$ 82,247	-	82,247
Buildings	5,104,161	171,640	5,275,801
Land improvements	850,486	-	850,486
Machinery and equipment	583,288	38,796	622,084
Total	<u>\$ 6,620,182</u>	<u>210,436</u>	<u>6,830,618</u>

### Long-Term Debt

At June 30, 2013, the District had \$1,560,168 in other long-term debt outstanding. (See Figure A-7) Additional detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- At June 30, 2013 the District had \$845,841 in lease purchase agreements payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had total outstanding termination benefits payable from the Special Revenue - Management Levy Fund of \$586,290 at June 30, 2013.
- Compensated absences totaled \$50,064 at June 30, 2013. The General Fund is accountable for \$40,459, the School Nutrition Fund is accountable for \$5,074 and the Child Care Fund is accountable for \$4,531, at June 30, 2013.
- The District had total outstanding Net OPEB liability payable from the General, School Nutrition and Child Care Funds of \$77,973 at June 30, 2013.

Figure A-7			
Long-term Liabilities			
	Governmental	Business Type	Total
	Activities	Activities	District
	June 30,	June 30,	June 30,
	2013	2013	2013
Computer leases	\$ 561,610	-	561,610
Sports field lighting leases	284,231	-	284,231
Termination benefits	586,290	-	586,290
Compensated absences	40,459	9,605	50,064
Net OPEB liability	73,653	4,320	77,973
Total	<u>\$ 1,546,243</u>	<u>13,925</u>	<u>1,560,168</u>

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## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The increase in required employer's contribution to IPERS to 8.93% on July 1, 2013 will increase the Eddyville-Blakesburg-Fremont Community School District's employer benefit costs during fiscal 2014.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Bayer, Board Secretary, Eddyville-Blakesburg-Fremont Community School District, 1301 Berdan Street, Eddyville, Iowa, 52553.

BASIC FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 4,312,663	108,246	4,420,909
Receivables:			
Property tax:			
Delinquent	63,927	-	63,927
Succeeding year	4,344,115	-	4,344,115
Income surtax	143,269	-	143,269
Due from other funds	28,000	-	28,000
Due from other governments	391,784	-	391,784
Inventories	-	8,018	8,018
Capital assets not being depreciated:			
Land	82,247	-	82,247
Capital assets, net of accumulated depreciation:			
Buildings	5,104,161	171,640	5,275,801
Land improvements	850,486	-	850,486
Machinery and equipment	583,288	38,796	622,084
<b>Total assets</b>	<b>15,903,940</b>	<b>326,700</b>	<b>16,230,640</b>
<b>Liabilities</b>			
Accounts payable	385,128	-	385,128
Due to other funds	-	28,000	28,000
Salaries and benefits payable	791,104	40,718	831,822
Accrued interest payable	21,066	-	21,066
Unearned revenue	-	5,671	5,671
Deferred revenue:			
Succeeding year property tax	4,344,115	-	4,344,115
Other	1,810	-	1,810
Long-term liabilities:			
Portion due within one year:			
Computer leases	173,658	-	173,658
Sports field lighting leases	20,290	-	20,290
Termination benefits payable	175,416	-	175,416
Compensated absences	40,459	9,605	50,064
Portion due after one year:			
Computer leases	387,952	-	387,952
Sports field lighting leases	263,941	-	263,941
Termination benefits payable	410,874	-	410,874
Net OPEB liability	73,653	4,320	77,973
<b>Total liabilities</b>	<b>7,089,466</b>	<b>88,314</b>	<b>7,177,780</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	5,774,341	210,436	5,984,777
Restricted for:			
Categorical funding	119,180	-	119,180
Student activities	138,458	-	138,458
Other special purposes	25,325	-	25,325
School infrastructure	15,952	-	15,952
Unrestricted	2,741,218	27,950	2,769,168
<b>Total net position</b>	<b>\$ 8,814,474</b>	<b>238,386</b>	<b>9,052,860</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 5,169,955	631,659	51,345	(4,486,951)	-	(4,486,951)
Special	1,030,166	98,143	47,356	(884,667)	-	(884,667)
Other	1,326,188	338,032	301,654	(686,502)	-	(686,502)
	<u>7,526,309</u>	<u>1,067,834</u>	<u>400,355</u>	<u>(6,058,120)</u>	<u>-</u>	<u>(6,058,120)</u>
Support services:						
Student	80,121	-	3,042	(77,079)	-	(77,079)
Instructional	523,147	-	-	(523,147)	-	(523,147)
Administration	1,210,289	-	-	(1,210,289)	-	(1,210,289)
Operation and maintenance of plant	878,474	-	-	(878,474)	-	(878,474)
Transportation	779,618	-	2,872	(776,746)	-	(776,746)
	<u>3,471,649</u>	<u>-</u>	<u>5,914</u>	<u>(3,465,735)</u>	<u>-</u>	<u>(3,465,735)</u>
Long-term debt interest	29,803	-	-	(29,803)	-	(29,803)
Other expenses:						
AEA flowthrough	329,436	-	329,436	-	-	-
Depreciation(unallocated)*	246,298	-	-	(246,298)	-	(246,298)
	<u>575,734</u>	<u>-</u>	<u>329,436</u>	<u>(246,298)</u>	<u>-</u>	<u>(246,298)</u>
Total governmental activities	11,603,495	1,067,834	735,705	(9,799,956)	-	(9,799,956)
Business type activities:						
Instruction:						
Other	87,146	-	-	-	(87,146)	(87,146)
Support services:						
Administration	557	-	-	-	(557)	(557)
Operation and maintenance of plant	5,056	-	-	-	(5,056)	(5,056)
	<u>5,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,613)</u>	<u>(5,613)</u>
Non-instructional programs:						
Food service operations	468,341	199,409	270,894	-	1,962	1,962
Other enterprise operations	224,384	225,036	-	-	652	652
	<u>692,725</u>	<u>424,445</u>	<u>270,894</u>	<u>-</u>	<u>2,614</u>	<u>2,614</u>
Total business type activities	785,484	424,445	270,894	-	(90,145)	(90,145)
Total	\$ 12,388,979	1,492,279	1,006,599	(9,799,956)	(90,145)	(9,890,101)
<b>General Revenues and Transfers:</b>						
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,212,398	-	4,212,398
Capital outlays				137,173	-	137,173
Income surtax				149,347	-	149,347
Statewide sales, services and use tax				858,981	-	858,981
Unrestricted state grants				3,706,427	-	3,706,427
Unrestricted investment earnings				13,827	32	13,859
Other				62,781	4,755	67,536
Transfers				(8,067)	8,067	-
Total general revenues and transfers				<u>9,132,867</u>	<u>12,854</u>	<u>9,145,721</u>
Change in net position				(667,089)	(77,291)	(744,380)
Net position beginning of year, as restated				<u>9,481,563</u>	<u>315,677</u>	<u>9,797,240</u>
Net position end of year				<u>\$ 8,814,474</u>	<u>238,386</u>	<u>9,052,860</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 3,758,236	550,270	-	164,268	4,472,774
Receivables:					
Property tax:					
Delinquent	52,968	8,926	2,033	-	63,927
Succeeding year	3,703,430	500,000	140,685	-	4,344,115
Income surtax	143,269	-	-	-	143,269
Due from other funds	-	-	28,000	-	28,000
Due from other governments	216,307	-	175,477	-	391,784
<b>Total assets</b>	<b>\$ 7,874,210</b>	<b>1,059,196</b>	<b>346,195</b>	<b>164,268</b>	<b>9,443,869</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Excess of warrants issued over bank balance	\$ -	-	247,371	-	247,371
Accounts payable	378,246	-	6,397	485	385,128
Salaries and benefits payable	791,104	-	-	-	791,104
Deferred revenue:					
Succeeding year property tax	3,703,430	500,000	140,685	-	4,344,115
Income surtax	143,269	-	-	-	143,269
Other	1,810	-	-	-	1,810
<b>Total liabilities</b>	<b>5,017,859</b>	<b>500,000</b>	<b>394,453</b>	<b>485</b>	<b>5,912,797</b>
Fund balances:					
Restricted for:					
Categorical funding	119,180	-	-	-	119,180
Management levy purposes	-	559,196	-	-	559,196
Student activities	-	-	-	138,458	138,458
Other special purposes	-	-	-	25,325	25,325
School infrastructure	-	-	15,952	-	15,952
Unassigned:					
General	2,737,171	-	-	-	2,737,171
Physical plant and equipment	-	-	(64,210)	-	(64,210)
<b>Total fund balances</b>	<b>2,856,351</b>	<b>559,196</b>	<b>(48,258)</b>	<b>163,783</b>	<b>3,531,072</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,874,210</b>	<b>1,059,196</b>	<b>346,195</b>	<b>164,268</b>	<b>9,443,869</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	3,531,072
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.		6,620,182
Accounts receivable income surtax, are not yet available to to finance expenditures of the current period.		143,269
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		87,260
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(21,066)
Long-term liabilities, including termination benefits payable, leases payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(1,546,243)
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u>8,814,474</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
<b>Local sources:</b>					
Local tax	\$ 3,895,029	602,174	1,034,089	-	5,531,292
Tuition	715,329	-	-	-	715,329
Other	33,519	4,685	55,136	335,773	429,113
State sources	4,203,740	213	49	-	4,204,002
Federal sources	238,130	-	-	-	238,130
<b>Total revenues</b>	<b>9,085,747</b>	<b>607,072</b>	<b>1,089,274</b>	<b>335,773</b>	<b>11,117,866</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	4,050,130	233,061	656,259	-	4,939,450
Special	1,005,708	-	-	-	1,005,708
Other	944,827	-	31,556	349,339	1,325,722
	<b>6,000,665</b>	<b>233,061</b>	<b>687,815</b>	<b>349,339</b>	<b>7,270,880</b>
<b>Support services:</b>					
Student	78,159	-	-	-	78,159
Instructional staff	247,968	-	361,250	-	609,218
Administration	988,715	109,401	106,183	-	1,204,299
Operation and maintenance of plant	838,611	77,668	-	-	916,279
Transportation	702,487	4,762	40,879	-	748,128
	<b>2,855,940</b>	<b>191,831</b>	<b>508,312</b>	<b>-</b>	<b>3,556,083</b>
<b>Non-instructional programs:</b>					
Food service operations	-	5,643	-	-	5,643
Capital outlay	-	-	404,180	-	404,180
<b>Long-term debt:</b>					
Principal	-	-	-	148,585	148,585
Interest and fiscal charges	-	-	-	24,989	24,989
	<b>-</b>	<b>-</b>	<b>-</b>	<b>173,574</b>	<b>173,574</b>
<b>Other expenditures:</b>					
AEA flowthrough	329,436	-	-	-	329,436
<b>Total expenditures</b>	<b>9,186,041</b>	<b>430,535</b>	<b>1,600,307</b>	<b>522,913</b>	<b>11,739,796</b>
Excess(Deficiency) of revenues over(under)expenditures	(100,294)	176,537	(511,033)	(187,140)	(621,930)
<b>Other financing sources(uses):</b>					
Proceeds from capital leases	-	-	628,126	-	628,126
Compensation for loss of assets	-	-	17,712	-	17,712
Transfer in	-	-	-	173,574	173,574
Transfer out	-	-	(173,574)	-	(173,574)
<b>Total other financing sources(uses)</b>	<b>-</b>	<b>-</b>	<b>472,264</b>	<b>173,574</b>	<b>645,838</b>
Change in fund balances	(100,294)	176,537	(38,769)	(13,566)	23,908
Fund balances beginning of year, as restated	2,956,645	382,659	(9,489)	177,349	3,507,164
Fund balances end of year	\$ 2,856,351	559,196	(48,258)	163,783	3,531,072

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013

**Change in fund balances - total governmental funds**(page 22) \$ 23,908

**Amounts reported for governmental activities in the  
 Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on the disposal of capital assets in the current year are as follows:

Capital outlays	\$ 383,459	
Depreciation expense	(416,560)	
Loss on disposal on capital assets	<u>(34,631)</u>	(67,732)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 4,649

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (173,393)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (4,814)

Proceed from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments as follows:

Issued	\$ (628,126)	
Repaid	<u>148,585</u>	(479,541)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Termination benefits	61,158	
Compensated absences	4,335	
Other postemployment benefits	<u>(35,659)</u>	<u>29,834</u>

**Change in net position of governmental activities**(page 19) \$ (667,089)

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Child Care	Total	
<b>Assets</b>				
Current assets:				
Cash and pooled investments	\$ 67,839	40,407	108,246	87,260
Inventories	8,018	-	8,018	-
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Buildings	-	171,640	171,640	-
Machinery and equipment	37,938	858	38,796	-
<b>Total Assets</b>	<b>113,795</b>	<b>212,905</b>	<b>326,700</b>	<b>87,260</b>
<b>Liabilities</b>				
Current liabilities:				
Due to other funds	-	28,000	28,000	-
Salaries and benefits payable	31,197	9,521	40,718	-
Unearned revenues	5,671	-	5,671	-
Total current liabilities	36,868	37,521	74,389	-
Noncurrent liabilities:				
Compensated absences	5,074	4,531	9,605	-
Net OPEB liability	3,735	585	4,320	-
Total noncurrent liabilities	8,809	5,116	13,925	-
<b>Total liabilities</b>	<b>45,677</b>	<b>42,637</b>	<b>88,314</b>	<b>-</b>
<b>Net Position</b>				
Invested in capital assets	37,938	172,498	210,436	-
Unrestricted	30,180	(2,230)	27,950	87,260
<b>Total net position</b>	<b>\$ 68,118</b>	<b>170,268</b>	<b>238,386</b>	<b>87,260</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Funds				Governmental Activities:
	School Nutrition	Child Care	Building and Trades	Total	Internal Service Fund
Operating revenues:					
Local sources:					
Charges for service	\$ 199,409	225,036	-	424,445	-
Miscellaneous	3,482	1,273	-	4,755	21,460
Total operating revenues	202,891	226,309	-	429,200	21,460
Operating expenses:					
Instruction:					
Other:					
Services	-	-	997	997	-
Supplies	-	-	86,149	86,149	-
Total instruction	-	-	87,146	87,146	-
Support services:					
Administration:					
Benefits	-	-	-	-	16,869
Services	-	557	-	557	-
Operation and maintenance of plant:					
Supplies	-	5,056	-	5,056	-
Total support services	-	5,613	-	5,613	16,869
Non-instructional programs:					
Food service operations:					
Salaries	159,303	-	-	159,303	-
Benefits	62,304	-	-	62,304	-
Services	6,672	-	-	6,672	-
Supplies	226,565	-	-	226,565	-
Depreciation	6,822	-	-	6,822	-
Other	942	-	-	942	-
	462,608	-	-	462,608	-
Other enterprise operations:					
Salaries	-	173,311	-	173,311	-
Benefits	-	34,756	-	34,756	-
Services	-	2,572	-	2,572	-
Supplies	-	6,529	-	6,529	-
Depreciation	-	7,216	-	7,216	-
Total non-instructional programs	462,608	224,384	-	686,992	-
Total operating expenses	462,608	229,997	87,146	779,751	16,869
Operating income(loss)	(259,717)	(3,688)	(87,146)	(350,551)	4,591
Non-operating revenues(expenses)					
State sources	4,318	-	-	4,318	-
Federal sources	266,576	-	-	266,576	-
Interest income	32	-	-	32	58
Loss on disposal of assets	(5,733)	-	-	(5,733)	-
Total non-operating revenues(expenses)	265,193	-	-	270,926	58
Change in net position before other financing sources	5,476	(3,688)	(87,146)	(85,358)	4,649
Other financing sources:					
Capital contributions	8,067	-	-	8,067	-
Change in net position	13,543	(3,688)	(87,146)	(77,291)	4,649
Net position beginning of year, as restated	54,575	173,956	87,146	315,677	82,611
Net position end of year	\$ 68,118	170,268	-	238,386	87,260

SEE NOTES TO FINANCIAL STATEMENTS.

**EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	Business Type Activities: Enterprise Funds			Total	Governmental Activities: Internal Service Fund
	School Nutrition	Child Care	Building and Trades		
<b>Cash flows from operating activities:</b>					
Cash received from sale of lunches and breakfasts	\$ 200,569	-	-	200,569	-
Cash received from child care operating activities	-	225,036	-	225,036	-
Cash received from miscellaneous operating activities	3,482	1,273	-	4,755	21,460
Cash payments to employees for services	(215,597)	(198,991)	-	(414,588)	(16,869)
Cash payments to suppliers for goods or services	(215,051)	(14,714)	(87,146)	(316,911)	-
Net cash provided by(used in) operating activities	(226,597)	12,604	(87,146)	(301,139)	4,591
<b>Cash flows from non-capital financing activities:</b>					
Repayments to the General Fund	(10,000)	(11,025)	-	(21,025)	-
State grants received	4,318	-	-	4,318	-
Federal grants received	250,913	-	-	250,913	-
Net cash provided by(used in) non-capital financing activities	245,231	(11,025)	-	234,206	-
<b>Cash flows from investing activities:</b>					
Interest income	32	-	-	32	58
<b>Cash flows from capital financing activities:</b>					
Acquisition of assets	(587)	(1,073)	-	(1,660)	-
Net cash used in capital financing activities	(587)	(1,073)	-	(1,660)	-
Net increase(decrease) in cash and cash equivalents	18,079	506	(87,146)	(68,561)	4,649
Cash and cash equivalents at beginning of year	49,760	39,901	87,146	176,807	82,611
Cash and cash equivalents at end of year	\$ 67,839	40,407	-	108,246	87,260
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>					
Operating income(loss)	\$ (259,717)	(3,688)	(87,146)	(350,551)	4,591
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	20,262	-	-	20,262	-
Depreciation	6,822	7,216	-	14,038	-
Increase in inventories	(1,134)	-	-	(1,134)	-
Decrease in accounts receivable	89	-	-	89	-
Increase in salaries and benefits payable	5,533	9,228	-	14,761	-
Increase in unearned revenue	1,071	-	-	1,071	-
Decrease in compensated absences	(871)	(411)	-	(1,282)	-
Increase in other postemployment benefits	1,348	259	-	1,607	-
Net cash provided by(used in) operating activities	\$ (226,597)	12,604	(87,146)	(301,139)	4,591

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2013, the District received \$20,262 of federal commodities.

During the year ended June 30, 2013, the Nutrition Fund received contributed capital of \$8,067 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2013

	Private Purpose Trust	Agency
	Scholarship	
<b>Assets</b>		
Cash and pooled investments	\$ 94,561	633
<b>Liabilities</b>		
Due to other groups	-	633
<b>Net Position</b>		
Restricted for scholarships	21,761	-
Unrestricted	72,800	-
<b>Total net position</b>	\$ 94,561	-

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 170
Donations	18,984
Total additions	<u>19,154</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>8,500</u>
Change in net position	10,654
Net position beginning of year, as restated	<u>83,907</u>
Net position end of year	<u>\$ 94,561</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

**(1) Summary of Significant Accounting Policies**

The Eddyville-Blakesburg-Fremont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Eddyville, Blakesburg and Fremont, Iowa, and the predominate agricultural territory in Wapello, Monroe, Davis, Keokuk and Mahaska Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Eddyville-Blakesburg-Fremont Community School District has included all funds, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Eddyville-Blakesburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wapello, Monroe, Davis, Keokuk and Mahaska Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Levy Fund is used to account for the revenues and expenditures associated with unemployment benefits, termination benefits and the District's property insurance.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, Child Care Fund, Building and Trades Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for the day care service operations of the District. The Building and Trades Fund is used to account for the vocational program which builds different projects. The Internal Service Fund is used to account for partially self-funded health insurance premiums of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ -
Buildings	2,000
Land improvements	2,000
Intangibles	35,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 + years
Machinery and equipment	5-12 years

Salaries and Benefits Payable- Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,760 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Statewide Sales, Services and Use Tax	Child Care	<u>\$ 28,000</u>

The Child Care Fund is repaying the Capital Projects: Statewide Sales and Services Tax Fund for money borrowed for cash flow purposes.

**(4) Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 173,574</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for the payment of principal and interest on the District's sports field lighting leases and computer leases.

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year, as restated (Note 14)	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Computer leases	\$ 62,695	628,126	129,211	561,610	173,658
Sports field lighting leases	303,605	-	19,374	284,231	20,290
Termination benefits	647,448	61,085	122,243	586,290	175,416
Compensated absences	44,794	40,459	44,794	40,459	40,459
Net OPEB liability	37,994	35,659	-	73,653	-
Total	<u>\$ 1,096,536</u>	<u>765,329</u>	<u>315,622</u>	<u>1,546,243</u>	<u>409,823</u>
<b>Business type activities:</b>					
Compensated absences	\$ 10,887	9,605	10,887	9,605	9,605
Net OPEB liability	2,713	1,607	-	4,320	-
Total	<u>\$ 13,600</u>	<u>11,212</u>	<u>10,887</u>	<u>13,925</u>	<u>9,605</u>

Computer Leases

Details of the District's June 30, 2013 computer lease indebtedness are as follows. Payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Year Ending June 30,	Computer lease of June 18, 2013			Computer lease of July 15, 2012			Computer lease of December 1, 2012			Total		
	Rate	Principal	Interest	Rate	Principal	Interest	Rate	Principal	Interest	Principal	Interest	Total
2014	3.686%	\$ 19,987	3,113	1.900%	\$ 94,185	8,311	3.982%	\$ 59,486	7,394	173,658	18,818	192,476
2015	3.686	20,723	2,377	1.900	97,127	5,369	3.982	61,855	5,025	179,705	12,771	192,476
2016	3.686	21,487	1,613	1.900	100,162	2,334	3.982	64,319	2,561	185,968	6,508	192,476
2017	3.686	22,279	821	-	-	-	-	-	-	22,279	821	23,100
Total		<u>\$ 84,476</u>	<u>7,924</u>		<u>\$ 291,474</u>	<u>16,014</u>		<u>\$ 185,660</u>	<u>14,980</u>	<u>561,610</u>	<u>38,918</u>	<u>600,528</u>

Sports Field Lighting Leases

During the year ended June 30, 2009, the District obtained financing for lighting of the football, softball, and baseball fields. Payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Year Ending June 30,	BB light lease of August 7, 2008			SB light lease of September 2, 2008			FB light lease of July 23, 2008			Total		
	Rate	Principal	Interest	Rate	Principal	Interest	Rate	Principal	Interest	Principal	Interest	Total
2014	4.69%	\$ 7,771	5,149	4.63%	\$ 2,806	1,860	4.73%	\$ 9,713	6,436	20,290	13,445	33,735
2015	4.69	8,139	4,781	4.63	2,939	1,727	4.73	10,173	5,976	21,251	12,484	33,735
2016	4.69	8,524	4,396	4.63	3,078	1,588	4.73	10,654	5,495	22,256	11,479	33,735
2017	4.69	8,927	3,993	4.63	3,224	1,442	4.73	11,158	4,991	23,309	10,426	33,735
2018	4.69	9,349	3,571	4.63	3,376	1,290	4.73	11,685	4,464	24,410	9,325	33,735
2019-2023	4.69	53,811	10,789	4.63	19,433	3,897	4.73	67,259	13,486	140,503	28,172	168,675
2024	4.69	12,337	483	4.63	4,455	211	4.73	15,420	729	32,212	1,423	33,635
		<u>\$ 108,858</u>	<u>33,162</u>		<u>\$ 39,311</u>	<u>12,015</u>		<u>\$ 136,062</u>	<u>41,577</u>	<u>284,231</u>	<u>86,754</u>	<u>370,985</u>

Termination Benefits (Early Retirement)

The District offered a voluntary early retirement plan to its Teachers, Teachers Aides, Custodians, Cooks, Secretaries and Bus Drivers. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive cash benefit for each eligible employee is based on a percentage of the employee's current salary. The District also pays an early retirement incentive for a single health insurance policy until the retiree is age sixty-five. Early retirement benefits paid during the year ended June 30, 2013, totaled \$122,243. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current early retirement.

(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year, as restated (Note 14)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 82,247	-	-	82,247
Total capital assets not being depreciated	82,247	-	-	82,247
Capital assets being depreciated:				
Buildings	9,903,445	88,302	-	9,991,747
Land improvements	1,780,943	14,800	-	1,795,743
Machinery and equipment	2,692,861	280,357	302,125	2,671,093
Total capital assets being depreciated	14,377,249	383,459	302,125	14,458,583
Less accumulated depreciation for:				
Buildings	4,711,816	175,770	-	4,887,586
Land improvements	874,729	70,528	-	945,257
Machinery and equipment	2,185,037	170,262	267,494	2,087,805
Total accumulated depreciation	7,771,582	416,560	267,494	7,920,648
Total capital assets being depreciated, net	6,605,667	(33,101)	(34,631)	6,537,935
Governmental activities capital assets, net	\$ 6,687,914	(33,101)	(34,631)	6,620,182
<b>Business type activities:</b>				
Capital assets being depreciated:				
Buildings	\$ 306,500	-	-	306,500
Machinery and equipment	183,571	9,727	9,145	184,153
Total capital assets being depreciated	490,071	9,727	9,145	490,653
Less accumulated depreciation for:				
Buildings	128,730	6,130	-	134,860
Machinery and equipment	140,861	7,908	3,412	145,357
Total accumulated depreciation	269,591	14,038	3,412	280,217
Business type activities capital assets, net	\$ 220,480	(4,311)	5,733	210,436
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 53,841
Other				15,485
Support services:				
Instructional staff				28,681
Administration				19,660
Operation and maintenance of plant				11,127
Transportation				41,468
				170,262
Unallocated depreciation				246,298
Total governmental activities depreciation expense				\$ 416,560
Business type activities:				
Food service operations				\$ 6,822
Other enterprise operations				7,216
Total business type activities depreciation expense				\$ 14,038

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the year ended June 30, 2013 were \$458,289, equal to the required contribution.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 67 active and 22 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 77,901
Interest on net OPEB obligation	1,018
Adjustment to annual required contribution	<u>(5,774)</u>
Annual OPEB cost	73,145
Contributions made	<u>(35,879)</u>
Increase in net OPEB obligation	37,266
Net OPEB obligation beginning of year, as restated	<u>40,707</u>
Net OPEB obligation end of year	<u>\$ 77,973</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2013.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 73,145	49.05%	\$ 77,973

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$423,691, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$423,691. The covered payroll (annual payroll of active employees covered by the plan) was \$3,409,342, and the ratio of the UAAL to the covered payroll was 12.43%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement assumptions were developed from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$675 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

Eddyville-Blakesburg-Fremont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$329,436 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Gifted and Talented Programs	\$ 19,653
Market Factor	2,322
Beginning Administrator Mentoring and Induction Program	2,500
Professional Development for Model Core Curriculum	49,325
Professional Development	44,052
Market Factor Incentives	1,328
Total	<u>\$ 119,180</u>

**(12) Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position is as follows:

	Invested in Capital Assets	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	559,196	2,737,171
Invested in capital assets not being depreciated	82,247	-	-
Invested in capital assets, net of accumulated depreciation	6,537,935	-	-
Computer lease capitalized indebtedness	(561,610)	-	-
Lighting lease capitalized indebtedness	(284,231)	-	-
Income surtax receivable	-	-	143,269
Termination benefits	-	(559,196)	(27,094)
Compensated absences	-	-	(40,459)
Accrued interest payable	-	-	(21,066)
Internal service fund	-	-	87,260
Net OPEB liability	-	-	(73,653)
Unassigned for physical plant and equipment	-	-	(64,210)
Net position (Exhibit A)	<u>\$ 5,774,341</u>	<u>-</u>	<u>2,741,218</u>

**(13) Deficit Balances**

The District had a negative unassigned Capital Projects: Physical Plant and Equipment Levy Fund balance of \$64,210. The District also had deficit unrestricted net position in the Child Care Fund of \$2,230.

**(14) Combination of Eddyville-Blakesburg and Fremont Community School District Restatement**

The School Districts of Eddyville-Blakesburg and Fremont combined to form a new district, Eddyville-Blakesburg-Fremont Community School District, effective July 1, 2012. All assets and liabilities were assumed by the newly formed District. The beginning balances have been restated to reflect this merger as follows:

	Fund Balance	Income Surtax Receivable	Capital Assets, Net of Accumulated Depreciation	Blending of Internal Service Fund	Accrued Interest Payable	Long-term Liabilities	Total Net Assets/ Position
Combination of Governmental Activities:							
Net assets, June 30, 2012							
Eddyville-Blakesburg	\$ 3,204,882	230,822	5,320,452	82,611	(16,252)	(1,096,536)	7,725,979
Fremont	302,282	85,840	1,367,462	-	-	-	1,755,584
Net position, July 1, 2012, as restated	<u>\$ 3,507,164</u>	<u>316,662</u>	<u>6,687,914</u>	<u>82,611</u>	<u>(16,252)</u>	<u>(1,096,536)</u>	<u>9,481,563</u>

restatement continued:

	July 1, 2011	Revenues	Expenses	June 30, 2012
<b>Governmental Funds:</b>				
General Fund:				
Eddyville-Blakesburg	\$ 1,856,699	8,538,128	7,801,592	2,593,235
Fremont	234,287	2,122,389	1,993,266	363,410
	<u>2,090,986</u>	<u>10,660,517</u>	<u>9,794,858</u>	<u>2,956,645</u>
Student Activity Fund:				
Eddyville-Blakesburg	123,619	344,105	334,891	132,833
Fremont	23,386	10,202	14,875	18,713
	<u>147,005</u>	<u>354,307</u>	<u>349,766</u>	<u>151,546</u>
Management Fund:				
Eddyville-Blakesburg	388,022	262,189	306,847	343,364
Fremont	45,919	35,069	41,693	39,295
	<u>433,941</u>	<u>297,258</u>	<u>348,540</u>	<u>382,659</u>
Support Trust Fund:				
Eddyville-Blakesburg	25,572	231	-	25,803
Fremont	-	-	-	-
	<u>25,572</u>	<u>231</u>	<u>-</u>	<u>25,803</u>
Capital Projects: Statewide Sales, Services and Use Tax:				
Eddyville-Blakesburg	368,864	586,311	948,749	6,426
Fremont	438,433	187,912	561,753	64,592
	<u>807,297</u>	<u>774,223</u>	<u>1,510,502</u>	<u>71,018</u>
Capital Projects: Physical Plant and Equipment Levy:				
Eddyville-Blakesburg	137,339	112,122	146,240	103,221
Fremont	125,072	131,017	439,817	(183,728)
	<u>262,411</u>	<u>243,139</u>	<u>586,057</u>	<u>(80,507)</u>
Total Capital Projects Fund	<u>1,069,708</u>	<u>1,017,362</u>	<u>2,096,559</u>	<u>(9,489)</u>
Debt Service Fund:				
Eddyville-Blakesburg	-	99,226	99,226	-
Fremont	-	444,107	444,107	-
	<u>-</u>	<u>543,333</u>	<u>543,333</u>	<u>-</u>
<b>Total Governmental Funds</b>	<b>\$ 3,767,212</b>	<b>12,873,008</b>	<b>13,133,056</b>	<b>3,507,164</b>
<b>Internal Service Fund</b>				
Eddyville-Blakesburg	\$ 85,687	1,977	5,053	82,611
Fremont	-	-	-	-
	<u>\$ 85,687</u>	<u>1,977</u>	<u>5,053</u>	<u>82,611</u>
<b>Fiduciary Funds:</b>				
Private Purpose Trust Fund:				
Eddyville-Blakesburg	\$ 30,731	61,176	8,000	83,907
Fremont	-	-	-	-
	<u>30,731</u>	<u>61,176</u>	<u>8,000</u>	<u>83,907</u>
<b>Enterprise Funds*:</b>				
School Nutrition Fund:				
Eddyville-Blakesburg	\$ (3,778)	423,886	378,874	41,234
Fremont	7,265	91,618	85,542	13,341
	<u>3,487</u>	<u>515,504</u>	<u>464,416</u>	<u>54,575</u>
Child Care Fund:				
Eddyville-Blakesburg	205,531	215,448	208,720	212,259
Fremont	(38,254)	184	233	(38,303)
	<u>167,277</u>	<u>215,632</u>	<u>208,953</u>	<u>173,956</u>
Building and Trades Fund:				
Eddyville-Blakesburg	88,103	-	957	87,146
Fremont	-	-	-	-
	<u>88,103</u>	<u>-</u>	<u>957</u>	<u>87,146</u>
<b>Total Enterprise Funds</b>	<b>\$ 258,867</b>	<b>731,136</b>	<b>674,326</b>	<b>315,677</b>

\* - Amounts for capital assets and long-term debts for enterprise funds are already included in the June 30, 2012 Net Position of those funds per Government Accounting Standards Board requirements.

REQUIRED SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 6,675,734	429,232	7,104,966	7,921,660	7,921,660	(816,694)
State sources	4,204,002	4,318	4,208,320	4,186,749	4,186,749	21,571
Federal sources	238,130	266,576	504,706	761,500	761,500	(256,794)
Total revenues	11,117,866	700,126	11,817,992	12,869,909	12,869,909	(1,051,917)
Expenditures/expenses:						
Instruction	7,270,880	87,146	7,358,026	7,743,000	7,543,000	184,974
Support services	3,556,083	5,613	3,561,696	4,473,200	4,473,200	911,504
Non-instructional programs	5,643	692,725	698,368	900,000	900,000	201,632
Other expenditures	907,190	-	907,190	1,389,273	1,799,273	892,083
Total expenditures/expenses	11,739,796	785,484	12,525,280	14,505,473	14,715,473	2,190,193
Excess(Deficiency) of revenues over(under) expenditures/expenses	(621,930)	(85,358)	(707,288)	(1,635,564)	(1,845,564)	1,138,276
Other financing sources, net	645,838	8,067	653,905	(10,000)	(10,000)	663,905
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	23,908	(77,291)	(53,383)	(1,645,564)	(1,855,564)	1,802,181
Balance beginning of year, as restated	3,507,164	315,677	3,822,841	3,130,352	3,130,352	692,489
Balance end of year	\$ 3,531,072	238,386	3,769,458	1,484,788	1,274,788	2,494,670

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$210,000.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2013	July 1, 2012	-	\$ 423,691	423,691	0.0%	\$ 3,409,342	12.43%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue		
	Student Activity	Support Trust	Total
<b>Assets</b>			
Cash and pooled investments	\$ 138,943	25,325	164,268
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 485	-	485
Fund balances:			
Restricted for:			
Student activities	138,458	-	138,458
Other special purposes	-	25,325	25,325
Total fund balances	138,458	25,325	163,783
<b>Total liabilities and fund balances</b>	<b>\$ 138,943</b>	<b>25,325</b>	<b>164,268</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue			Debt Service	Total Nonmajor
	Student Activity	Support Trust	Total		
Revenues:					
Local sources:					
Other	\$ 335,620	153	335,773	-	335,773
Expenditures:					
Current:					
Instruction:					
Other	348,708	631	349,339	-	349,339
Long-term debt:					
Principal	-	-	-	148,585	148,585
Interest and fiscal charges	-	-	-	24,989	24,989
Total expenditures	348,708	631	349,339	173,574	522,913
Excess(Deficiency) of revenues over(under) expenditures	(13,088)	(478)	(13,566)	(173,574)	(187,140)
Other financing sources:					
Transfer in	-	-	-	173,574	173,574
Change in fund balances	(13,088)	(478)	(13,566)	-	(13,566)
Fund balances beginning of year, as restated	151,546	25,803	177,349	-	177,349
Fund balances end of year	\$ 138,458	25,325	163,783	-	163,783

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Receivables:			
Property tax:			
Delinquent	\$ -	2,033	2,033
Succeeding year	-	140,685	140,685
Due from other funds	28,000	-	28,000
Due from other governments	175,477	-	175,477
<b>Total Assets</b>	<b>\$ 203,477</b>	<b>142,718</b>	<b>346,195</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Excess of warrants issued over bank balance			
	\$ 187,525	59,846	247,371
Accounts payable	-	6,397	6,397
Deferred revenue:			
Succeeding year property tax	-	140,685	140,685
<b>Total liabilities</b>	<b>187,525</b>	<b>206,928</b>	<b>394,453</b>
Fund balances:			
Restricted for:			
School infrastructure	15,952	-	15,952
Unassigned	-	(64,210)	(64,210)
<b>Total fund balances</b>	<b>15,952</b>	<b>(64,210)</b>	<b>(48,258)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 203,477</b>	<b>142,718</b>	<b>346,195</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 858,981	175,108	1,034,089
Other	55,136	-	55,136
State sources	-	49	49
Total revenues	<u>914,117</u>	<u>175,157</u>	<u>1,089,274</u>
Expenditures:			
Current:			
Instruction:			
Regular	656,259	-	656,259
Other	31,556	-	31,556
Support services:			
Instructional staff	309,419	51,831	361,250
Administration	18,858	87,325	106,183
Transportation	22,898	17,981	40,879
Capital outlay	384,745	19,435	404,180
Total expenditures	<u>1,423,735</u>	<u>176,572</u>	<u>1,600,307</u>
Deficiency of revenues under expenditures	(509,618)	(1,415)	(511,033)
Other financing sources(uses):			
Proceeds from capital leases	628,126	-	628,126
Compensation for loss of assets	-	17,712	17,712
Transfer out	(173,574)	-	(173,574)
Total other financing sources(uses)	<u>454,552</u>	<u>17,712</u>	<u>472,264</u>
Change in fund balances	(55,066)	16,297	(38,769)
Fund balances beginning of year, as restated	<u>71,018</u>	<u>(80,507)</u>	<u>(9,489)</u>
Fund balances end of year	<u>\$ 15,952</u>	<u>(64,210)</u>	<u>(48,258)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year, as restated	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Freemont	\$ 5,475	-	-	-	5,475
Activity Management	44,420	96,233	101,298	(6,222)	33,133
Freemont Sports	5,028	35	-	-	5,063
Cross Country	635	1,340	329	-	1,646
Drill/Dance Team	1,737	7,819	9,556	-	-
Boys Basketball	-	7,632	6,151	-	1,481
Football	6,392	12,861	15,276	-	3,977
Baseball	73	6,667	5,989	-	751
JH Baseball	1,862	1,150	2,219	-	793
Boys Track	115	1,776	1,645	-	246
Golf	-	1,742	1,742	-	-
Wrestling	6,943	18,841	19,796	-	5,988
Girls Basketball	3,706	8,120	4,861	-	6,965
Volleyball	5,653	9,399	11,647	-	3,405
Softball	8,077	7,475	12,556	240	3,236
Girls Track	51	720	502	-	269
JH Softball	274	484	565	-	193
Cheerleading Basketball	1,266	5,294	5,031	(480)	1,049
Interest	-	129	129	-	-
Freemont Fundraiser	3,832	-	-	-	3,832
Freemont Resale	1,544	-	-	-	1,544
Class of 2012	1,786	-	-	(1,786)	-
Class of 2013	1,504	-	1,504	-	-
Class of 2014	-	4,580	4,683	1,786	1,683
Class of 2015	-	983	-	-	983
Freemont Book Fair	1,726	-	733	-	993
National Honor Society	439	125	170	-	394
HS Student Council	400	850	508	-	742
EEAC Student Council	554	1,685	1,818	-	421
HS Speech	88	956	1,044	-	-
Freemont Blue Jeans	278	-	-	-	278
E-B-F ELI	25	-	-	-	25
E-B Jr High Student Council	5,062	91	484	110	4,779
BAC Activity	8,298	488	844	-	7,942
BAC Elementary	5,098	1,510	1,213	-	5,395
FFA	4,170	42,708	41,564	-	5,314
Archery Club	2,065	12,993	12,214	-	2,844
Thespian Club	38	479	431	-	86
Jr Red Cross	55	-	-	-	55
Tri M Society	484	-	-	-	484
Drama/Play	1,463	1,647	1,087	-	2,023
FFA CD	4,164	-	-	-	4,164
Vocal	643	-	536	-	107
Yearbook	12,365	4,442	5,852	-	10,955
Concessions	608	46,748	46,816	240	780
Family Career	1,914	1,110	1,957	-	1,067
FCA	2	480	145	-	337
Freemont Student Council	18	70	-	-	88
Freemont 6th Grade	355	-	-	-	355
Freemont Garden	95	-	-	-	95
Band	24	2,820	2,844	-	-
MS Band Fundraiser	-	10,456	10,456	-	-
MS Drama	110	-	-	(110)	-
Future Business Leaders	270	440	271	-	439
Freemont Yearbook	2,561	-	-	-	2,561
Freemont Fieldtrip	4,023	-	-	-	4,023
Freemont District-wide Uniform	(6,222)	-	-	6,222	-
	-	12,242	12,242	-	-
<b>Total</b>	<b>\$ 151,546</b>	<b>335,620</b>	<b>348,708</b>	<b>-</b>	<b>138,458</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund										Total
	BAC	FFA	Thelma	Carroll D	Christina	Rex & Louise	Loyal & Opal	Freemont			
	Schroeder Scholarship	Sheffler Scholarship	FFA Scholarship	Memorial Scholarship	Hohl Scholarship	Mc Mullin Scholarship	McKenna Scholarship	Morris Scholarship	Jones Scholarship	FFA Scholarship	
<b>Assets</b>											
Cash and pooled investments	\$ 1,030	4,500	6,178	6,772	2,335	50,750	9,986	5,000	5,000	3,010	94,561
<b>Liabilities</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Net Position</b>											
Restricted for scholarships	-	-	6,000	6,625	-	-	9,136	-	-	-	21,761
Unrestricted	1,030	4,500	178	147	2,335	50,750	850	5,000	5,000	3,010	72,800
<b>Total net position</b>	<b>\$ 1,030</b>	<b>4,500</b>	<b>6,178</b>	<b>6,772</b>	<b>2,335</b>	<b>50,750</b>	<b>9,986</b>	<b>5,000</b>	<b>5,000</b>	<b>3,010</b>	<b>94,561</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund												Total
	Schroeder Scholarship	Sheffler Scholarship	BAC FFA Scholarship	FFA Memorial Scholarship	Thelma Hohl Scholarship	Carroll D Mc Mullin Scholarship	Harry Carr Memorial CD	Christina McKenna Scholarship	Eddyville Clinic Scholarship	Rex & Louise Morris Scholarship	Loyal & Opal Jones Scholarship	Freemont FFA Scholarship	
Additions:													
Local sources:													
Interest income	\$ -	-	75	32	-	-	-	63	-	-	-	-	170
Donations	-	-	-	-	5,024	-	-	950	-	5,000	5,000	3,010	18,984
	-	-	75	32	5,024	-	-	1,013	-	5,000	5,000	3,010	19,154
Deductions:													
Instruction:													
Other:													
Scholarships awarded	-	-	-	-	4,000	2,000	500	1,500	500	-	-	-	8,500
Change in net position	-	-	75	32	1,024	(2,000)	(500)	(487)	(500)	5,000	5,000	3,010	10,654
Net assets beginning of year, as restated	1,030	4,500	6,103	6,740	1,311	52,750	500	10,473	500	-	-	-	83,907
Net position end of year	\$ 1,030	4,500	6,178	6,772	2,335	50,750	-	9,986	-	5,000	5,000	3,010	94,561

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2013

	Beginning Balance	Increases	Decreases	Ending Balance
<b>BAC Faculty</b>				
Assets:				
Cash and other investments	\$ 671	4	266	409
Liabilities:				
Due to other groups	\$ 671	4	266	409
<b>E-B-F HS Faculty</b>				
Assets:				
Cash and other investments	\$ 560	-	422	138
Liabilities:				
Due to other groups	\$ 560	-	422	138
<b>Band Boosters</b>				
Assets:				
Cash and other investments	\$ 86	-	-	86
Liabilities:				
Due to other groups	\$ 86	-	-	86
<b>Total</b>				
Assets:				
Cash and other investments	\$ 1,317	4	688	633
Liabilities:				
Due to other groups	\$ 1,317	4	688	633

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS

	Modified Accrual Basis
	2013
Revenues:	
Local sources:	
Local tax	\$ 5,531,292
Tuition	715,329
Other	429,113
Intermediate sources	
State sources	4,204,002
Federal sources	238,130
Total	\$ 11,117,866
Expenditures:	
Current:	
Instruction:	
Regular	\$ 4,939,450
Special	1,005,708
Other	1,325,722
Support services:	
Student	78,159
Instructional staff	609,218
Administration	1,204,299
Operation and maintenance of plant	916,279
Transportation	748,128
Non-instructional programs	5,643
Capital outlay	404,180
Long-term debt:	
Principal	148,585
Interest and fiscal charges	24,989
Other expenditures:	
AEA flow-through	329,436
Total	\$ 11,739,796

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2013

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY13	\$ 49,397
National School Lunch Program	10.555	FY13	211,678 *
Summer Food Service Program for Children	10.559	FY13	<u>5,501</u>
			<u>266,576</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY13	<u>139,141</u>
Improving Teacher Quality State Grants	84.367	FY13	<u>34,784</u>
Grants for State Assessments and Related Activities	84.369	FY13	<u>5,655</u>
Area Education Agency:			
Special Education - Grants to States (Part B)	84.027	FY13	<u>47,356</u>
Albia Community School District:			
Vocational Education - Basic Grants to States	84.048	FY13	<u>5,657</u>
University of Northern Iowa:			
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act	84.396	FY13	<u>2,495</u>
Total			<u>\$ 501,664</u>

\* -Includes \$20,262 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Eddyville-Blakesburg-Fremont Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

## **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

### **To the Board of Education of the Eddyville-Blakesburg-Fremont Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg-Fremont Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Eddyville-Blakesburg-Fremont Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eddyville-Blakesburg-Fremont Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Eddyville-Blakesburg-Fremont Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13 through II-D-13 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Eddyville-Blakesburg-Fremont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **Eddyville-Blakesburg-Fremont Community School District's Responses to Findings**

Eddyville-Blakesburg-Fremont Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Eddyville-Blakesburg-Fremont Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eddyville-Blakesburg-Fremont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
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**Independent Auditor's Report on Compliance for Each Major Federal Program,  
on Internal Control over Compliance and on the Schedule of Expenditures  
of Federal Awards Required by OMB Circular A-133**

**To the Board of Education of Eddyville-Blakesburg-Fremont Community School District:**

**Report on Compliance for Each Major Federal Program**

We have audited Eddyville-Blakesburg-Fremont Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Eddyville-Blakesburg-Fremont Community School District's major federal programs for the year ended June 30, 2013. Eddyville-Blakesburg-Fremont Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Eddyville-Blakesburg-Fremont Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eddyville-Blakesburg-Fremont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Eddyville-Blakesburg-Fremont Community School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Eddyville-Blakesburg-Fremont Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

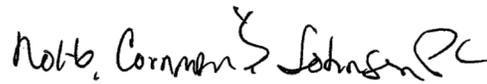
The management of Eddyville-Blakesburg-Fremont Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Eddyville-Blakesburg-Fremont Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eddyville-Blakesburg-Fremont Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Eddyville-Blakesburg-Fremont Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Eddyville-Blakesburg-Fremont Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014  
Newton, Iowa

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Child Nutrition Cluster
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Eddyville-Blakesburg-Fremont Community School District did not qualify as a low-risk auditee.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions, handling and recording cash and bank reconciliations.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recordkeeping, preparation and posting.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) School lunch program - collecting, receipting and deposit preparation.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - The District will review its procedures to obtain maximum internal control, utilizing current personnel, including elected officials.

Conclusion - Response accepted.

II-B-13 Supporting Documentation - We noted two instances of disbursements made without an invoice or statement to be used as supporting documentation.

Recommendation - The District should review their procedures in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

Response - The District will review procedures to ensure all bills are supported, approved, and paid from an invoice. The District will also adopt a process to use when an invoice may not be available, such as requiring additional approval and supporting documentation.

Conclusion - Response accepted.

II-C-13 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District will keep track of the hours worked for non-certified staff coaches and determine if wages paid comply with minimum wage and overtime requirements.

Conclusion - Response accepted.

II-D-13 Commodity Pricing - We noted during the audit that commodity food items were not always priced out using commodity values provided by the Department of Education.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - The District will review procedures to ensure commodity food is priced out correctly.

Conclusion - Response accepted.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program**  
**CFDA Number 10.559: Summer Food Service Program for Children**  
**Federal Award Year: 2013**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

III-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. Another individual records the receipts to the students' accounts and posts to the general ledger.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - The District will review its procedures to obtain maximum internal control, utilizing current personnel, including elected officials.

Conclusion - Response accepted.

EDDYVILLE-BLAKESBURG-FREMONT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, did not exceed the certified budget amounts in any of the functional areas.

IV-B-13 Questionable Disbursements - During our audit we noted expenditures that do not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted. More specific instances are as follows:

**Gift Cards:** We noted check #1219 for \$100.00 to Scheels and #1205 for \$50.00 to Eddyville BP were issued for the purchase of gift cards that were given to individual students as prizes for being top-sellers in a fundraiser.

Recommendation - The District should refrain from purchasing gift cards as the Board of Directors is unable to audit the final purchase. The District should also refrain from giving individual students prizes or awards for being top-sellers in fundraisers, as performance incentives or for good behavior.

Response - The District will refrain from purchasing gift cards and awarding individual students prizes for being top-sellers in fundraisers, as performance incentives or for good behavior.

Conclusion - Response accepted.

**Staff Apparel:** We noted check #1624 from the General Fund for \$2,308.54 to The Graphic Edge issued for the purchase of staff T-shirts.

Recommendation - The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval. The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

Response - The District will discuss policies with the school attorney in order to comply with the mandatory bargaining requirements.

Conclusion - Response accepted.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- IV-H-13 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-13 Statewide Sales, Services and Use Tax - According to the District's revenue purpose statement, statewide sales, services and use tax money can be spent for PPEL type expenditures. Chapter 298.3 of the Code of Iowa does not specify routine maintenance or equipment such as chairs and tables as allowable expenditures PPEL type expenditures. We noted during our audit that the District had expenditures of \$4,096.03 in unallowable repairs and equipment.

Recommendation - The District should review the revenue purpose statement for the use of statewide sales, services and use tax as well as Chapter 298.3 of the Code of Iowa with regard to allowable expenditures from PPEL Funds to avoid noncompliance. We are requesting a corrective transfer from the General Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$4,096.03.

Response - The District will review the revenue purpose statement for the use of statewide sales, services and use tax and make a corrective transfer from general fund to the Capital Projects Fund in the amount of \$4,096.03 for unallowable repairs and equipment.

Conclusion - Response accepted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit.

Beginning Balance, as restated		\$	71,018
Revenues/transfers in:			
Sales tax revenues	\$	858,981	
Other local revenues		55,136	
Sale of long-term debt		628,126	
			<u>1,542,243</u>
			1,613,261
Expenditures/transfers out:			
School infrastructure		146,603	
Equipment		1,052,724	
Other		224,408	
Transfers to other funds:			
Debt service fund		173,574	
			<u>1,597,309</u>
Ending Balance			<u>\$ 15,952</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Physical Plant and Equipment Levy(PPEL) Expenditures - We noted during our audit that the District made purchases from the PPEL Fund which do not appear to be in compliance with Chapter 423 and 298.3 of the Code of Iowa. The District had expenditures of \$5,555.60 for routine maintenance and bus signage.

Recommendation - Inappropriate uses of the PPEL Fund include any other purpose not expressly authorized in the Iowa Code. The District should review Chapter 423 and Chapter 298 of the Code of Iowa for allowability of expenditures from the PPEL Fund. We are requesting a corrective transfer from the General Fund to the Capital Projects: Physical Plant and Equipment Levy Fund of \$5,555.60.

Response - The District will make a corrective transfer from the General Fund to the Physical Plant and Equipment Levy (PPEL) in the amount of 5,555.60 for routine maintenance and bus signage. The District will review Chapter 423 and 298 of the Code of Iowa.

Conclusion - Response accepted.

IV-N-13 Scholarship awards - We noted the District awarded scholarships to students from proceeds generated from activities recorded in the HS Student Council account within the Student Activity Fund.

Recommendation - Clubs within the Student Activity Fund cannot use residual balances for scholarships. If the District is fundraising for scholarships, the money should be receipted directly into the Private Purpose Trust Fund and scholarship checks written from there.

Response - Clubs within the Student Activity Fund will specifically state what the fundraising money will be used for and document as such. If fundraising for scholarships, the money will be receipted directly into the Private Purpose Trust Fund and scholarship checks will be written from there.

Conclusion - Response accepted.

IV-O-13 Electronic Check Retention - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. We noted during our audit that the District is not receiving images of the backs of cancelled checks.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - The District has rectified the situations and currently receives photo images showing both the front and back of the check.

Conclusion - Response accepted.

IV-P-13 Financial Condition - We noted the District had a negative unassigned fund balance in the Capital Projects: Physical Plant and Equipment Levy Fund of \$64,210, deficit total fund balance in the combined Capital Projects accounts of \$48,258, and deficit unrestricted net position in the Child Care Fund of \$2,230 at June 30, 2013.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit balances.

Response - The District will monitor these funds and investigate alternatives to eliminate the deficit balances.

Conclusion - Response accepted.

IV-Q-13 Donations to Outside Organizations - We noted check #1530 for \$4,808.35 from the Student Activity Fund issued to the Eddyville-Blakesburg Music Boosters for profits earned from a District sponsored fundraiser. Iowa Administrative rule 98.70(3) outlines inappropriate uses of student activity money and subsection (D) specifically prohibits payments to any outside organization unless a fundraiser was held expressly for that purpose and the purpose of the fundraiser was specifically identified.

Recommendation - This would appear to be an illegal payment and the District should request the money back from the organization.

Response - The District will request the reimbursement from the Music Boosters for the fundraiser that was District sponsored and make sure the fundraisers are appropriately monitored.

Conclusion - Response accepted.

IV-R-13 District Farm - We noted that the District owns 20 acres of farm land and that the land has been designated through Board resolution as a combination of an educational program and a scholarship program. A committee of the Board of Directors which supervises the operation of the farm selects a student to farm the land. Under the resolution, proceeds of the crops shall be divided 1/3 to the student selected to farm the land, 1/3 to the Agri-Power FFA Chapter and 1/3 to be awarded as a scholarship to a student or students selected by the committee.

The current situation creates several potential problems for the District including, but not limited to the following:

It would appear inappropriate for students to receive money as part of the stated educational program. We also question the level of the educational program provided by the District given that a single student is basically entrusted to administrate the operation on their own. In addition, we noted that the student was issued the check from the Co-op and was then responsible for remitting the District's portion to the District; all District revenues and expenses should be properly recorded on the District's general ledger. The situation would also create liability concerns regarding any potential accidents that may occur on the District owned property. Furthermore, it may be difficult to defend the committee's decision to award the project to any given student over another.

Recommendation - The District may wish to reconsider how it utilizes the 20 acres of farmland. If the District is going to maintain this property as an income producing property, the District should charge fair market rent for the use of the land. The District should refrain from paying students as part of the educational program. Since the ground is owned by the District and was income producing land, it should have been on the county tax roll and the District should have paid property tax on the land. Another alternative may be to utilize the land as fundraising/co-curricular opportunity for the entire FFA club, accounting for all revenues and expenses associated with the program in the Student Activity Fund in the District's general ledger; or if the District uses it for instructional purposes, the costs and revenues would then be reported in the General Fund.

Response - The District will utilize the 20 acres of farmland as fundraising/co-curricular opportunity for the entire FFA Agri Power Club, accounting for all revenues and expenses associated with the program in the Districts general ledger.

Conclusion - Response accepted.